partnerships
British Columbia

SERVICE PLAN

2005/06 – 2007/08

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Message from the Chair

We are pleased to present the service plan for Partnerships British Columbia Inc. (Partnerships BC) for the period April 1, 2005 to March 31, 2008.

After our second full year of operation, the company is achieving tangible results and is emerging as a leader in Canada for public private partnerships. We have successfully negotiated and signed contracts for four public private partnership projects; these projects, with a combined capital value of approximately $500 million, are now under construction. We are particularly pleased that the first of these projects to reach financial close, the Sierra Yoyo Desan Resource Road, was awarded the 2004 National Gold Medal for Innovation and Excellence by the Canadian Council on Public Private Partnerships. Partnerships BC has made a commitment to disclose the value for money that has been achieved in its public private partnerships agreements, and is meeting this commitment by releasing Value for Money Disclosure Reports on all major projects once they have reached financial close.

Partnerships BC is currently engaged in a range of high-priority projects that will provide much needed infrastructure for communities and regional economies in British Columbia. These include building new roads and bridges in the Kootenay, Okanagan, Peace River and Lower Mainland regions, and the development of health services infrastructure. In all, eight new projects are in the competition phase, with a total capital value of approximately $3.4 billion (highlights are summarized in Appendix 1), and more potential projects are in earlier stages of the development process. In addition, we have been retained by the Yukon Territorial Government to assist in the procurement of the Yukon River Bridge as a public private partnership.

In 2004/05 Partnerships BC refined its business model with a view to better achieving corporate objectives. The company was reorganized to focus on creating new partnership opportunities, the development of a public private partnership centre of expertise, and the development and maintenance of high standards of client service and public disclosure. This shift has been supported by the recruitment of an experienced professional core, and the implementation of management information, risk management and accounting systems to meet governance and financial accountability requirements.

In 2005/06, Partnerships BC will build upon this foundation, placing a high priority upon finalizing contracts for the projects that are currently in the market, developing new projects that offer opportunities to strengthen and improve public infrastructure, and realizing the benefits of the centre of expertise. The Partnerships BC business plan is focused upon the following core objectives:

- the timely delivery of more capital projects;
- increasing competition and innovation in procuring major capital assets;
- transferring appropriate risks to the private sector;
- achieving value for money for taxpayers;
- maintaining fair, open and transparent procurement processes;

- expanding the use of performance standards in government and serving the public interest by maintaining these standards on an ongoing basis; and
- attracting international expertise and capital to B.C.

These initiatives will be led by our diverse and experienced board of directors, who will be working with a skilled team of employees. Partnerships BC will continue to strive to advance its projects, develop new ones and realize the benefits of what we believe is an exciting approach to building a stronger B.C. economy and providing more effective services to the people of B.C.

Partnerships BC's 2005/06 – 2007/08 Service Plan was prepared under the direction of the board of directors in accordance with the Budget Transparency and Accountability Act. The board will hold management accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with the Government's strategic priorities and overall service plan. All significant assumptions, policy decisions, and identified risks as of January 2005 have been considered in preparing the plan. As chair I am accountable on behalf of the board for ensuring Partnerships BC achieves its specific objectives identified in the plan and for measuring and reporting actual performance.

Sincerely,

Rick Mahler
Chair

January 27, 2005

Introduction

Public private partnerships are a procurement alternative within the Provincial Government's strategy for delivering capital assets. They can provide an opportunity to improve and modernize public services infrastructure while delivering better value for money than alternative procurement methods.

The Province of British Columbia's Capital Asset Management Framework encourages public sector agencies to consider all potential ways to meet their service delivery goals, and to choose the method that meets those goals most effectively. Along with traditional methods, agencies are required to consider creative approaches such as leveraging assets, making better use of existing facilities, seeking more efficient ways of delivering public services, and pursuing options such as public private partnerships.

Public private partnerships are contractual arrangements between a government agencies and private partners, combining the best of both partners' experience and expertise, and allocating project risks to the partner best able to manage them. Such contracts require clear, legal definitions of each party's responsibilities, typically over both the construction and operations phases of the project.

The overriding objective is value for money. Research has shown that public private partnerships can deliver improved products at optimal lifecycle costs and can benefit all parties, including taxpayers. The private sector benefits from new business opportunities in a growing market. The Provincial government achieves more effective procurement, service enhancements and innovation, cost savings and risk transfer, while retaining responsibility for public service delivery and the public interest on an ongoing basis.

Organizational Overview

Partnerships BC was created in May 2002 to support the Provincial government's strategic plan to deliver public services effectively and affordably. The company works to "pursue public private partnerships that will improve customer services, maximize private sector investment and minimize costs to taxpayers."[1]

Partnerships BC delivers its services through a client relationship with government ministries and agencies. Partnerships BC works with these clients to identify, assess and procure public private partnerships that assist the agency in meeting its public interest and service objectives. PBC delivers these services through its own expertise and by working closely with external consultants as well as by enhancing relationships between the public and private sectors.

[1] B.C. government Speech from the Throne, February 11, 2003

Partnerships BC currently employs 31 staff in two offices located in Vancouver and Victoria. Partnerships BC is now organized into three functional areas: partnerships development; corporate and government relations; and policy and best practices.

Corporate Overview

Partnerships BC is a company owned by the Province of British Columbia (the Province) and governed by a board of directors reporting to its shareholder, the Province represented by the Minister of Finance. The company was incorporated under the British Columbia Company Act, legislation that is continued under the new British Columbia Business Corporations Act. The company's core business is to:

- provide expert services to the Provincial government and its agencies in the procurement of major public projects, ranging from advice to business transaction and procurement management, to overall project management;
- identify new opportunities to enhance the effectiveness of major capital asset procurement through public private partnerships;
- foster a business and policy environment for successful public private partnerships by offering a centralized source of knowledge, understanding, expertise and practical experience in public private partnerships; and
- manage an efficient and leading edge organization that meets or exceeds performance expectations.

The company's primary clients are public sector agencies, including ministries, crown corporations, health authorities, advanced education institutions, plus other governments including local government. To serve these clients effectively, Partnerships BC is also working to build strong relationships with private sector partners such as businesses, investors, the financial services sector and providers of construction, engineering and facilities management services.

The company's organization, staffing and governance reflect and support this bringing together of public and private sector interests to best serve public needs. For example, Partnerships BC project directors and consultants have a mix of skills and expertise from both sectors and the company has offices in both Vancouver and Victoria to serve both sectors effectively.

Partnerships BC reports through its board of directors to, the Provincial Government represented by the Minister of Finance. The board of directors was appointed July 15, 2003 with directors drawn from the public and private sectors. The board was appointed to enable the company to further its goals of providing public infrastructure and services in an effective and affordable way. The board has two key functions, to provide governance and oversight for the company and to review potential partnership opportunities.

Board Committees

The board of directors is supported by two subcommittees:

The Audit and Risk Management Committee reviews, recommends and, in some cases, approves financial statements and other financial information. This includes audited financial statements, quarterly financial statements, the annual report and any quarterly reports, the annual service plan, annual business plan and operating and capital budgets and any budget presentations to government. The committee also reviews the company's risk management, internal controls and information systems.

The Human Resources and Governance Committee assists the board with human resource issues, compensation matters and the establishment of a plan of continuity and development of senior management. The Committee also provides a focus on corporate governance to enhance the performance of the Company.

Products and Services

Partnerships BC products and services are critical to the Province's ability to undertake the procurement and construction of complex capital projects, specifically those involving the utilization of private sector expertise, services, and capital.

Partnerships BC has several key advantages relative to its unique service offering:

- Partnerships BC was created to centralize and develop public private partnership expertise, documentation, processes and experience – for the benefit of all of Partnerships BC's clients;

- Partnerships BC provides a full spectrum of services on a turnkey basis, allowing clients to focus on their core businesses and accountabilities while Partnerships BC focuses on the administrative and contractual requirements of managing a public private partnership process;

- Partnerships BC provides full integration of its services and third party, professional advisory services (project management, accounting, financial, legal) necessary to successfully conduct a competitive procurement process;

- Partnerships BC's varied project experience provides a knowledge bank of best practices (e.g. documents and procedures) from which new projects can benefit –helping to achieve a variety of objectives such as reducing procurement costs on new projects; and

- As a government-owned entity, with an experienced and highly qualified board of directors, Partnerships BC has a high degree of understanding and insight into both the public and private sectors, thereby providing a strong capability to validate public private partnership proposals from a commercial perspective.

Some of Partnerships BC's specific products and services include:

- procurement management;
- project management;
- best practices documentation, procedures and experience;
- development of new partnership structures;
- business case development;
- partner identification and market sounding;
- advice on contract negotiations;
- advice on government approval processes; and
- advice on communications strategy and implementation

Strategic Context

Vision

Partnerships BC serves the public interest by structuring and implementing public private partnerships that provide taxpayers value for money. The company is committed to commercial viability, transparent operations, and achieving and being recognised for innovation, leadership and expertise in public procurement.

Partnerships BC promotes, enables and assists in the structuring and implementation of public private partnership projects. It works with public sector agencies and private sector partners to create agreements that combine the best aspects of private sector expertise and public sector stewardship by:

- selecting partners through a competitive, fair and transparent process that delivers the best product or service at the best price;
- ensuring the transfer of appropriate risk;
- instilling a pay-for-performance system based on the private sector's ability to meet standards set by government;
- ensuring the public interest is served in each project; and
- attracting international expertise and capital to British Columbia.

Values	Corresponding Leadership Philosophy
Obtaining Value for Money	• explore and encourage innovation, new ideas and partnerships for infrastructure solutions that result in value for money; and, • explore opportunities to increase social, economic, environmental, or other benefits derived from infrastructure investments
Serving the Public Interest	• ensure that public interest issues such as safety, privacy, and transparency are assessed and protected in developing solutions to infrastructure challenges; and, • provide public agencies with tools and support to identify, evaluate, allocate and manage risk effectively.
Competition and Transparency	• ensure that all activities engaged in by Partnerships BC and its staff maintain the highest levels of fairness and openness
Strong Accountability	• measure and report on performance at all levels; and, • recognize achievement and develop best practices from lessons learned
Respect and Integrity	• focus on clients, provide leadership, encourage teamwork and value diversity and differences of opinion; and, • protect confidentiality of commercial information

Planning Context

A number of factors will affect Partnerships BC's ability to do business in the coming years, presenting both risks and opportunities. As described below, the company has developed strategies for managing risks while pursuing opportunities.

As part of its internal risk management process, in 2004/05 Partnerships BC contracted with the Office of the Comptroller General (OCG) to facilitate an internal Enterprise Wide Risk Management (EWRM) assessment, focussing on the general corporate risks Partnerships BC is facing. Partnerships BC is committed to building upon this initial work to further refine the risk assessment and the strategies developed to mitigate and manage risks. A similar process will be conducted on an annual basis.

Key risks, as identified through Partnerships BC's ongoing approach to risk management, are as follows:

Scope of business, focus and client base

Partnerships BC was created as part of the Provincial government's strategic plan to deliver public services more efficiently. As such, it has unique opportunities to work with public agencies and the private sector to develop creative solutions to infrastructure challenges and support a vibrant provincial economy. Partnerships BC also plays an influential role by ensuring that the Province has the information and materials it needs to make sound decisions regarding potential public private partnerships arrangements.

Partnerships BC's ability to execute is affected by the tacit and explicit rules, constraints and outcomes specified by client agencies for each public private partnership. Partnerships BC cannot engage private sector partners until these specifics are articulated. This creates opportunities to customize agreements to best meet both sectors' needs. It also underlines the need for Partnerships BC to work closely with the Province to ensure that partnership arrangements are consistent with the Provincial government's strategic priorities.

Partnerships BC's business model is focused primarily on pursuing and implementing public private partnerships for the Province. Therefore, its client market (provincial agencies) and its service offering (public private partnership focus) are relatively narrow. This reflects the company's mandate and role as outlined by the British Columbia Government.

Actions to manage risk and optimize opportunities related to business scope include:

- ensuring that rigorous business case analysis precedes any project. This helps ensure that qualitative factors such as a project's social, environmental and public interest impacts are identified and fully addressed, along with all quantitative issues such as financial impacts and service outcomes;

- working with public sector agencies to encourage a consistent vision for projects where multiple agencies are involved;
- consulting with provincial government agencies on an ongoing basis to better understand their emerging needs and challenges and help identify public private partnership opportunities;
- working with the Province to ensure a regulatory and legislative environment compatible with the successful implementation of public private partnerships;
- providing quality outcomes to public sector clients, thereby increasing confidence in Partnerships BC and, ultimately, increasing project flow;
- working with client agencies to ensure that chosen public private partnership projects are viable from economic, social and public interest perspectives; and
- developing the business potential of public private partnership projects beyond provincial client agencies. This could include providing services to municipal governments, regional districts and/or potential projects in other jurisdictions to diversify the company's business and improve the public private partnership market.

Public private partnership market and capacity

Public private partnership markets worldwide, and particularly in B.C., are in the early stages of development. This makes Partnerships BC – as one of a limited number of players – well positioned to support the growth of a vibrant public private partnership market in B.C. and beyond.

However, capacity growth in B.C. will be in direct competition with other jurisdictions and with other business opportunities that firms may have within the province. External factors will therefore play a significant part in Partnerships BC's success and the company may face challenges related to:

- growth of public private partnership markets in competing jurisdictions;
- general private sector interest in public private partnerships worldwide;
- development of private sector capacity to engage in public private partnerships within B.C.;
- capacity of the construction sector within B.C.; and
- B.C. population growth and demographic shifts.

To meet these challenges, Partnerships BC will:

- continue to develop relationships with other public private partnership stakeholders and business partners. This will ensure the continuous transfer of knowledge related to best practices. It will also support the development of a vibrant B.C. public private partnership community, providing resources that will help offset capacity-related risks;
- continue holding discussions with other provincial governments to broaden the Canadian public private partnership market and enhance the expansion of best practices;

- continue to engage in dialogue with, and monitor the activities of, public private partnership organizations and stakeholders around the world. For example, jurisdictions such as the United Kingdom and Australia have mature public private partnership markets and Partnerships BC is learning from their experiences;
- encourage business-partnering opportunities within and outside B.C. through education and awareness;
- conduct research and market sounding in advance of project implementation as a key step in business case analysis to ensure the presence of a viable market; and
- ease the way for private sector partners to do business in B.C. by, for example, providing certainty and consistency in procurement processes and work to reduce private sector bid costs.

Reputation risk

Reputation is compromised when an organisation's performance, ethics or experience with stakeholders suffers. The ability of Partnerships BC to provide quality service to its public sector clients and the wider public private partnership market is directly tied to the reputation of the company and the demonstrable success of its projects. A strong reputation will attract more clients, improve relationships and generally assist with the growth of the market in B.C. and Canada. Corporate identity (brand) is a function of the success of the company's relationships with stakeholders including the shareholder, the Province, client ministries and agencies, other levels of government, industry, the public and the media. Relationships with these various stakeholder groups must be nurtured if Partnerships BC's corporate identify is to remain strong and worthy of stakeholder confidence.

Reputation is a difficult risk to manage given its intangible nature, but reputation risk management is an important part of effective corporate governance. Partnerships BC employs the following risk mitigation strategies to address reputation risk:

- Partnerships BC is functionally organized to focus upon the use of Best Practices in all Partnerships BC activities to help ensure quality of service and successful projects;
- Partnerships BC places a high priority upon disclosure and transparency;
- Partnerships BC corporate strategy is aligned with stakeholder expectations;
- Partnerships BC regularly seeks feedback from all market participants and clients and ensures that concerns and criticisms of its operations are addressed; and,
- Partnerships BC will continue to ensure that its board and staff operate at the highest levels of integrity.

Internal experience and capacity

Partnerships BC is continually building the experience and skill sets it needs to be a leader in providing public private partnership products and services. At the same time, Partnerships BC faces the critical challenge of balancing demand for its services with the practical limitations of its corporate capacity to ensure successful performance at both the project and organizational levels. To meet these challenges, the company has developed an approach to human resources that:

- ensures Partnerships BC's professionals have the right mix of skills and expertise for the expected project flow;
- emphasizes and facilitates continuous learning and improvement and includes the development of a corporate knowledge management system that makes best practices readily available to all staff; and,
- optimizes staff retention and works to minimize key person turnover.

Operational risk

As a knowledge management-based company, Partnerships BC faces risks related to operational and plant issues. These include, in particular, issues related to information technology and its accompanying infrastructure. Loss of electronic communications, data loss or server failure are significant risks to the company. Related operational or plant risks include office shut-down or transportation interruptions that impede access to support projects at a variety of locations. In addition, Partnerships BC manages a significant volume of contracts on behalf of clients. It must ensure its financial and contract systems are robust and business continuity plans are in place. Operational incidents that last for more than short periods of time could have an impact on the company's ability to conduct business.

Strategies to address these challenges and mitigate the risks include the following:

- Partnerships BC is working to improve its server performance and the implementation of back-up systems;
- Partnerships BC has retained a Chief Information Officer to address information systems operational risks; and,
- Partnerships BC can address office shut down and most transportation issues by the effective use of portable systems such as laptops and remote server access.

Key Strategic Issues

In 2004/05 Partnerships BC will complete its first full year of operations with a new board of directors and CEO. Partnerships BC continued to refine its business model and its goals, strategies and performance measures as the practical reality of direct experience on projects began to influence the company and its approach.

Performance in 2004/05

2004/05 is Partnerships BC's first year where tangible successes are being achieved. Financial close was reached on four major projects including the Sierra-Yoyo-Desan Road, the Vancouver General Hospital Academic Ambulatory Care facility, the Abbotsford Regional Hospital and Cancer Centre, and the Britannia Mine Water Purification project. Presently the company is moving forward with 13 projects while more projects are in the developmental stage. Partnerships BC is successfully developing the public private partnership capacity in B.C. and assists with projects and provides advice in a number of other jurisdictions including the Yukon Territory, Alberta, Ontario, Quebec and Taiwan.

To further augment its capabilities and to respond to business needs, Partnerships BC has restructured its operations to create three strategic service units to support the company's project focus: partnerships development; corporate and government relations; and policy and practices. The financial administration unit was retained. These business units, and their mandates, are described in the diagram below.

Functional Accountabilities			
Partnership Development	Best Practices	Corporate and Government Relations	Financial Administration
• Manage business development initiatives • Enable development of new public private partnership structures and opportunities • Manage client coverage and service quality • Approve pricing and terms of engagements • Expedite public sector approvals	• Develop policy and best practice templates • Implement best practices • Provide procurement services • Market Partnerships BC best practices	• Manage external corporate relations • Manage government relations • Manage corporate and project communications • Lead work with other provinces to develop the partnership market • Market centre of expertise • Manage internal human resources	• Prepare financial statements • Maintain Management Information Systems • Monitor relevant business benchmarks • Prepare project P/Ls • Manage audit
Project Teams: Project Directors, Project and Communications Consultants			

A performance-based human resource strategy has been developed, such that all employee individual performance plans are tied directly to corporate performance. In addition, corporate performance is benchmarked against similar professional services firms in the private sector.

Partnerships BC has implemented corporate and individual performance goals that support the objectives of each of the three service areas. In addition to their responsibilities for specific projects, employees, as part of their performance evaluations are responsible for assisting with partnership development, corporate and government relations and the development and retention of best practices.

Company officials will continue to participate in seminars, public speaking engagements and conferences. Partnerships BC has updated its web site including new information on current and completed projects, Value for Money Disclosure Reports and best practices. Partnerships BC also continues to expand its business directory, further supporting the growth of public private partnership awareness and capacity.

The Partnerships BC board of directors has also identified, within the context of these goals, a number of strategic issues for the company to focus on in the coming year to ensure the six corporate goals are properly met. These strategic issues include:

- enhancing the Partnerships BC business model to maximize value-added for clients;
- implementing a business development strategy to meet the company's goals for new engagements;
- maintaining an effective focus in Partnerships BC's communications strategy;
- realizing the benefits of the centre of expertise; and
- further developing a long term relationship with the Provincial Government.

These strategic issues identified by the board were supplemented by issues identified by the marketplace. Expectations of Partnerships BC by the market include meeting competition milestones, maintaining a strong flow of projects, expansion into new sectors, and the continued and improved provision of expertise and standardization to help reduce transaction and bid costs.

Partnerships BC's business units, as well as project specific staff, will work in the coming year to respond to these strategic issues and marketplace concerns.

Goals

Building on the progress made in 2004/05 and reflecting the evolving vision of the company and its board of directors, the company now has six goals:

- to pursue, structure and implement public private partnerships;
- to satisfy clients;
- to become commercially viable;
- to serve the public interest and ensure competitive, fair and transparent processes;
- to be widely recognized as a centre of excellence for innovation, leadership and expertise in public private partnerships; and
- to build and retain the Partnerships BC team.

Partnerships BC's board has directed the company to ensure that emphasis is given to the primary goal of pursuing, structuring and implementing public private partnership projects. This direction is consistent within the intent of the shareholder when the company was originally created.

These goals are described below, along with the company's strategies for achieving them. Performance measures and targets for each goal are listed in the chart on page 24. Measurement of performance against these benchmarks will be reported in the 2004/05 annual report.

Performance measures are both qualitative (e.g. those related to probity and fairness) and quantitative (e.g. standard measures of commercial viability). This balance reflects the company's commitments to meeting the objectives of its Financial Plan together with meeting broader objectives.

Measures and targets will be refined and improved upon as goals are met or exceeded. Further improvements will be made in the years ahead as Partnerships BC becomes a more mature organization.

Partnerships BC has made some changes since last year's service plan. Most significantly Partnerships BC expanded its goals to emphasize the importance of building and retaining an effective team by including a goal that reflects the company's commitment to its people. Other changes are noted in more detailed discussion below.

Objectives, Strategies and Performance Measures

Goal 1 – To Pursue, Structure and Implement Public Private Partnerships

Partnerships BC's primary mandate is to enable and facilitate public private partnerships that benefit British Columbians, both economically and in terms of protecting the public interest. Partnerships BC's measures of its "ability to structure and implement public private partnerships" are meeting project milestones and developing new business. The following strategies have been developed accordingly.

Objectives

- meet milestones in existing client engagements
- develop new business and enter into new engagements (i.e. contracts with clients)
- develop new public private partnership structures in strategic, target sectors

Strategies

- identify and apply best practices from project to project to help ensure continuous improvement
- continue to build and improve upon relationships with public sector client agencies
- develop internal performance measures for Partnerships BC and its staff which tie individual and collective success to the achievement of milestones
- ensure that business development is a key component of the work of all senior staff
- continually seek out business opportunities with new, potential and existing clients
- develop a presence in the business community to ensure business sector sees Partnerships BC as the key catalyst for success in any public private partnership project
- enter into Public Private Partnership Development Agreements with Ministries/agencies in strategic sectors to work together to develop new public private partnership structures

Performance Measures

- positive assessment by board of directors of milestones achieved.
- pilot engagements in new areas of health and advanced education.
- public private partnership development agreement engagements with Province and/or agencies

Goal 2 – To Satisfy Clients

Partnerships BC is committed to ensuring that public sector clients are provided with the highest standard of service available, and that they are satisfied with the quality of services. To ensure that this is happening, the company will employ the following strategies.

Objectives

- meet or exceed client requirements

Strategies

- formalize methods for obtaining and measuring client input. This includes identifying what clients value most from Partnerships BC and ensuring that client feedback translates into service improvements that exceed expectations in the future
- develop tools to turn client input into strategies for service improvement

Performance Measures

- client survey results indicate Partnerships BC performance meets or exceeds client requirements

Goal 3 – To Become Commercially Viable

Partnerships BC is committed to ensuring it is a commercially viable organization by the end of the 2005/06 fiscal year, with the ability to maintain viability on an ongoing basis. Commercial viability requires that revenues meet or exceed expenses, whether or not the Government Services Agreement with the Province is continued.

The current Government Services Agreement extends to March 31, 2008, and may or may not be continued, and which can be amended/terminated with six months notice. Under the current Agreement, Partnerships BC is engaged to:

- help agencies identify and assess public private partnership opportunities;
- develop provincial public private partnership policy;
- develop best practices for public private partnerships and alternative procurement; explore opportunities in other jurisdictions to expand the application of best practices across Canada; and,
- provide other advisory and consulting services directly to the Province and/or clients on an ongoing basis whose costs are not attributable to a specific project.

Objectives

- sustainable commercial viability by 2005/06
- implement multi-year Government Services Contract

Strategies

- ensure that fees reflect the value provided and the cost of service
- ensure that Partnerships BC's cost structure is appropriate for the workload required by clients
- prudently manage expenses and internal costs
- build an equity base as a contingency for business fluctuations
- structure contracts with milestone payments to develop a stable cashflow

Performance Measures

- meet Financial Plan targets in 2005/06
- equity exceeds six months operating expenses

Changes to Performance Measures

The need to maintain one year's equity as a performance measure supporting commercial viability has been changed to six months equity. This measure was changed to acknowledge that six months would be sufficient for the company to adapt its operations to a changed business environment.

Goal 4 – To Serve the Public Interest and Ensure Competitive, Fair and Transparent Processes

Partnerships BC's clients are public sector agencies that need new or improved infrastructure to effectively deliver on their public service mandates. Partnerships BC shares, and helps them to meet, their commitment to serving the public interest.

Given that public private partnerships often involve large, high profile, complex projects, it is essential that the public interest is not only served, but seen to be served. All stakeholders must have a degree of comfort with the process involved in bringing a public private partnership project to fruition. Fairness, integrity and value for money must be clearly demonstrated – while protecting confidential information and commercial interests.

This is not a simple goal, given the commercial complexity that often accompanies a public private partnership project. However, Partnerships BC is committed to ensuring that its operations and projects are delivered in the most transparent manner possible.

Objectives

- demonstrate value for money in all projects
- ensure all processes are transparent, fair and competitive

Strategies

- implement an effective value for money assessment of all projects undertaken. This will ensure that public private partnership decisions are based on an assessment of a full range of quantitative (e.g. financial, service level, economic) and qualitative (e.g. environmental, safety, service quality, social, innovation) factors. The value for money assessment will also provide information regarding the priorities and trade-offs inherent in any major capital construction project
- ensure that a value for money assessment provides rigorous financial analysis in order to protect public investments
- develop rigorous risk assessment and management tools to ensure that project risks are properly identified and allocated to the party best suited to manage them
- work to achieve and maintain the highest level of fairness and transparency in all business transactions

Performance Measures

- publish Value for Money Disclosure Report on all projects after financial close has been reached
- obtain fairness and probity opinions on all projects.

Goal 5 – To Be Widely Recognized as a Centre of Excellence for Innovation, Leadership and Expertise in Public Private Partnerships

One of Partnerships BC's broad objectives is to create a world class centre of excellence and expertise for public private partnerships in B.C. The company endeavours to have its innovation, leadership and expertise recognized in business, industry and academic circles, as well as throughout the public sector.

Objectives

- implement a Partnerships BC best practices strategy
- demonstrate benefits of a centre of expertise

Strategies

- develop a strategy to capture and incorporate best practices which would strengthen the public private partnership market in B.C. and the delivery and quality of public private partnership projects
- enhance public private partnership sector development in B.C. by attracting market participants, supporting industry growth and strengthening the quality of services provided by all participants
- undertake business development for Partnerships BC's services beyond core provincial government client agencies including other jurisdictions
- continue to promote Partnerships BC and public private partnership initiatives within and outside B.C. by providing expert speakers, participating in conferences and employing other public profile tools
- continually assess and appraise the quality of services provided by Partnerships BC with clients, external stakeholders such as public private partnership service providers (e.g. advisors), project participants and concessionaires

Performance Measures

- annual examples of best practices established, acknowledged and adopted within the Provincial Government and by other governments
- annual examples of synergies and process cost savings
- revenue generation from clients outside of the Provincial Government
- new market participants in B.C.

Changes to Performance Measures

External recognition as a performance measure was replaced with revenue generation from clients outside of the Provincial Government as a more objective and measurable indicator of performance in these areas. This change was made as it was determined that revenue generation from other levels of government within B.C. or from governments outside the province was a more accurate indicator of external recognition.

Goal 6 - Build and Retain the Partnerships British Columbia Team

In this service plan, Partnerships BC has introduced a new goal to help ensure it also focuses on its most important resource – its people. The ability of Partnerships BC to meet its goals depends on its ability to attract and retain high quality staff.

Partnerships BC occupies a specialized service niche in that its clients are entirely public sector agencies. At the same time delivery of successful projects also requires in-depth knowledge of the private sector - knowledge and understanding of the particular needs of each sector is critical. Conversely, the kind of experience and expertise required for complex procurement, private finance initiatives and contract negotiations is highly valued by both sectors. Partnerships BC needs to ensure that its culture and compensation structure remain competitive in order to retain and attract the best team.

Objectives

- improve professional competencies and attract and retain high quality people

Strategies

- complete an updated human resources strategy
- investigate and initiate targeted and relevant training opportunities for staff

Performance Measures

- investment in employee training and improvement – benchmark to be established
- employee satisfaction – benchmark to be established

Summary Table – Performance Measurements, Targets and Benchmarks

Goal 1 – Pursue, Structure and Implement Public-Private Partnerships	**04/05**	05/06	06/07	07/08
• Positive assessment by board of directors of milestones achieved. • Pilot engagements in new areas of key sectors. • PPP Development Agreement engagements with Province and/or agencies.	**board assessment to be completed in 4th quarter**	Positive assessment by board of directors of milestones and new engagements achieved	Positive assessment by board of directors of milestones and new engagements achieved	Positive assessment by board of directors of milestones and new engagements achieved
Goal 2 – Satisfy Clients				
• Client survey results indicate Partnerships BC performance meets or exceeds client requirements	**Survey to be completed in 4th quarter**	Client satisfaction report shows expectations met/exceeded	Client satisfaction report shows expectations met/exceeded	Client satisfaction report shows expectations met/exceeded
Goal 3 – Become Commercially Viable				
• Meet financial plan targets • Equity exceeds six month operating expenses	**Targets Met**	Targets met	Targets met	Targets met
Goal 4 – To Serve the Public Interest and Ensure Competitive, Fair and Transparent Processes				
• Publish Value for Money Disclosure Report on all projects after financial close has been reached • Publish fairness and probity opinions on all projects	**VFM and Fairness reports published on all 04/05 projects**	100% Reports published	100% Reports published	100% Reports published
Goal 5 – To be widely recognized as a Centre of Expertise				
• Annual examples of best practices established, acknowledged and adopted within the B.C. government and other governments • Annual examples of synergies and process cost reductions in process costs • Revenue generation from clients outside the Provincial Government • New market participants in B.C.	**Examples published** **Revenue from non-BC sources** **Market participants list**	Examples published Revenue from non-BC sources Market participants list	Examples published Revenue from non-BC sources Market participants list	Examples published Revenue from non-BC sources Market participants list
Goal 6 – Build and Retain the Team				
• Investment in employee training and improvement • Employee satisfaction	**New goal – parameters being set**	% of payroll for training meets or exceeds industry benchmark % employee satisfaction	% of payroll for training meets or exceeds industry benchmark % employee satisfaction	% of payroll for training meets or exceeds industry benchmark % employee satisfaction

Linkages to Government Strategic Priorities

The Province has stated its intention to modernize government and to find more efficient and effective ways of providing services and infrastructure in support of health care, transportation, advanced education and other priority programs.

Public private partnerships support this direction by delivering major capital projects that meet public needs at minimum lifecycle cost and with an optimum sharing of risks between the public and private sectors.

The Provincial government's strategic plan calls for the consideration of "public-private partnerships or other alternative service delivery arrangements for capital infrastructure and program delivery." As described below, Partnerships BC also plays a broader role in meeting the government's primary goals, as described in its strategic plan for 2003/4 – 2005/6:

- Goal 1: A Strong and Vibrant Provincial Economy
- Goal 2: A Supportive Social Infrastructure
- Goal 3: Safe, Healthy Communities and a Sustainable Environment

Meeting Goal 1:

Partnerships BC supports economic growth in B.C. by encouraging and facilitating private sector involvement in the delivery of critical public sector infrastructure and services. Meeting provincial infrastructure needs in general is essential to a strong provincial economy. For example, an up-to-date and well maintained transportation system helps keep goods, services and people moving smoothly and efficiently. Road improvements, such as the Sierra Yoyo Desan Road project, also support key initiatives such as the Province's Oil and Gas Development Strategy which is helping to further expand the northern economy. Additional support for economic growth in the province is derived from:

- the increased involvement of the private sector, which provides greater employment and economic benefit multipliers than the public sector;
- attracting foreign capital and investment which complements or substitutes for Provincial government capital spending; and,
- the transfer of appropriate risk to the private sector, benefiting the Province in managing future risk and liabilities.

Meeting Goal 2:

Partnerships BC is directly charged with assisting in the provision of high quality capital infrastructure – this may include helping the Province to secure needed investments in physical assets vital to maintaining a supportive social infrastructure.

Meeting Goal 3:

Safe, healthy communities depend on basic infrastructure such as reliable transportation systems, state-of-the-art hospitals and modern schools. Partnerships BC helps to deliver these assets and has a clear mandate to ensure that, in their development, the public interest is served. That extends to environmental impacts as well. In gauging the value of capital projects, Partnerships BC considers a full range of factors including community health and safety, and ensures that these values are protected.

Resource Summary

Summary Financial Outlook

PARTNERSHIPS BRITISH COLUMBIA
Draft 2004-05 Forecast and 3 Year Projections

	2004-05	2005-06	2006-07	2007-08
REVENUES				
Fees for Service	$ 4,458,768	$ 6,038,534	$ 6,912,000	$ 7,452,500
Provincial Government Revenue	1,800,000	1,800,000	1,800,000	1,800,000
Project Recoveries	7,855,192	7,885,135	6,257,137	3,910,882
Other Revenue	97,612	130,160	130,160	130,160
TOTAL REVENUES	14,211,572	15,853,829	15,099,297	13,293,542
EXPENDITURES				
Salaries and Benefits	3,934,873	4,867,323	4,901,712	5,037,423
Professional Services	275,946	607,000	426,000	426,000
Administration	1,081,839	1,055,266	1,037,543	1,060,035
Communications/Marketing	119,148	75,000	30,000	80,000
Amortization	147,620	149,634	160,144	150,959
TOTAL EXPENDITURES	5,559,426	6,754,223	6,555,399	6,754,417
Project Recoverable Expenses	7,858,245	7,885,135	6,257,137	3,910,882
NET INCOME	**$ 793,901**	**$ 1,214,471**	**$ 2,286,761**	**$ 2,628,243**

Variance in Forecasts and Projections provided in January 2004 for the Partnerships British Columbia 2004/05-2006/07 Service Plan compared to the 2005/06-2007/08 Service Plan were made with certain assumptions on fees for service and expenditures. The Forecast for 2004/05 included in the 2005/06-2007/08 Service Plan consists of three (3) quarters of actual results which provided a more accurate overview of the company's 2004/05 operations.

Key Forecast Assumptions

In preparing its financial statements, Partnerships BC has based its calculations on the following assumptions:

- revenue and expenditures are estimates based on a forecast of project activity using the best available information available to Partnerships BC;
- project expenditures will fluctuate significantly from year to year; and
- the majority of expenditures will be reimbursable from third parties during the fiscal year they are incurred and will not materially affect the bottom line.

Risks and Sensitivities

Risks, in general, have been discussed within the planning context of this document; however, risks and sensitivities pertaining specifically to Partnerships BC's financial outlook are as follows:

- interest rates – Partnerships BC does not forecast significant interest income and therefore the fluctuation of interest rates is not expected to have a significant impact on earnings. However, it may affect the ability of third parties to cover costs if they are primarily using debt financing;
- performance of the economy – the overall performance of the British Columbian, Canadian and North American economies may have some impact on demand for construction and debt; and,
- inflation – inflation in some sectors may or may not impact Partnerships BC's work flow and project revenue.

Appendix 1 - Other Operating Segments

Partnerships BC incorporated the Abbotsford Hospital and Cancer Centre Inc. as a subsidiary corporation in 2003/04. Given the number of public sector agencies involved in the Abbotsford Regional Hospital and Cancer Centre project, it was determined that it would be beneficial to create a single public sector entity to contract with the private sector.

Abbotsford Hospital and Cancer Centre Inc. concluded the competitive selection process for the project on December 7, 2004, when it reached financial close on a project agreement with private partner Access Health Abbotsford. Partnerships BC will continue to retain responsibility for the project and hold the shares of the company until the new facility is built and commissioned. At that point, the shares will be transferred to the Fraser Health Authority and Provincial Health Services Authority for the 30 year operating phase of the project.

Partnerships BC may in future create subsidiary corporations in its normal course of business as part of structuring optimal arrangements between public sector clients and private investors.